

State of Missouri

Office of Secretary of State

Case No. AP-10-38

IN THE MATTER OF:

FINANCIAL NETWORK INVESTMENT
CORPORATION, CRD #13572;

Respondent.

Serve Financial Network Investment Corporation at:
200 N. Sepulveda Boulevard
El Segundo, California 90245-5672

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") has alleged that Financial Network Investment Corporation ("Respondent"), employed an unregistered agent in violation of Section 409.4-402(d); and that this constitutes grounds to impose civil penalties pursuant to Sections 409.4-412(d)(2) and 409.4-412(d)(9), RSMo. (Cum. Supp. 2009).
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent allegedly employing an unregistered agent.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over the Respondents and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2009), which provides:

"The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

WAIVER AND EXCEPTION

5. Respondent waives its right to a hearing with respect to this matter.
6. Respondent waives any rights that it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State,

Secretary of State, Commissioner of Securities, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.

7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) right to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner of Securities is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Financial Network Investment Corporation ("FNIC") is a Missouri-registered broker-dealer with a main address of 200 N. Sepulveda Boulevard, El Segundo, California 90245-5672. FNIC is registered through the Central Registration Depository System ("CRD") with CRD number 13572.
13. Oleksiy Stetsura ("Stetsura") is a New York resident with a last known address of 250 E 63rd Street, New York, New York 10065. For the period March 2, 2010, to January 24, 2011, Stetsura was associated with FNIC as an agent registered in New York. Stetsura is registered through the CRD with number 5701018. Stetsura is not, nor has he ever been, a registered agent in Missouri.
14. Derek Robertson ("Robertson") is a New York resident with a last known address of 511 E 73rd Street Apartment 13, New York, New York 10021. For the period May 15, 2010, to January 25, 2011, Robertson was associated with FNIC as an agent registered in New York. Robertson is registered through the CRD with number 5369180. Robertson is not, nor has he ever been, a registered agent in Missouri.
15. As used herein, the term Respondent refers to FNIC.

16. On two separate occasions in August and November of 2010, Stetsura and Robertson, respectively on behalf of FNIC, offered to sell securities to a Missouri resident. Neither Stetsura nor Robertson was a registered agent in Missouri at the time of solicitation. Stetsura and Robertson omitted to disclose material facts to the Missouri resident.
17. In early August 2010, a registration/licensing specialist with the Missouri Securities Division (“MR1”) received a cold call¹ from Stetsura while MR1 was at work. During that call, Stetsura:
 - a. offered to sell MR1 an unidentified security;
 - b. asked MR1 if MR1 could afford to invest; and
 - c. hung up on MR1 when MR1 interrupted Stetsura and requested details regarding Stetsura’s identity.
18. On November 4, 2010, MR1 received a call at the Securities Division of the Secretary of State’s Office, Jefferson City, Missouri, from Robertson.

¹ A method used by agents of broker-dealers to obtain new business by making unsolicited calls to potential customers who have no connection to the broker-dealer or agent.

19. During that November 4, 2010, call MR1 stated, among other things, that:
 - a. MR1 could hear noise in the background that sounded like a busy office;
 - b. Robertson identified himself and his employer as Financial Network;
 - c. Robertson confirmed that Financial Network was FNIC;
 - d. Robertson began a sales pitch, which MR1 stated appeared to be scripted;
 - e. Robertson spoke loudly and quickly;
 - f. Robertson occasionally stopped to answer questions from MR1 before breaking back into the sales pitch;
 - g. Robertson did not, at any point during the conversation, offer any details regarding his registration status;
 - h. Robertson did not ask MR1 any questions regarding MR1’s age, income, or investment objectives; and
 - i. Robertson offered to sell a security to MR1.
20. At the end of the November 4, 2010, conversation, MR1 told Robertson that MR1 needed to consult with his wife before making any investment decisions and offered to return the call.

21. On November 5, 2010, MR1 and a securities investigator with the Missouri Securities

Division (“MR2”) called Robertson. MR1 and MR2 asked Robertson additional questions about the investment opportunity.

22. During this call, Robertson asserted he was a broker working for FNIC.
23. Robertson offered to sell MR1 and MR2 shares of a Multi Strategy Income and Growth fund that traded under the symbol JQC.²
24. In addition, Robertson told MR1 and MR2, among other things, that:
 - a. the market price of the fund had not yet caught up to its net asset value;
 - b. the spread between the market price and the net asset value meant that JQC was trading at a deep discount;

^[2] Records obtained by the Enforcement Section indicate that the investment was in Nuveen Multi-Strategy and Income Growth Fund 2.
 - c. the market price would “catch up” to the net asset value in 6 to 8 months;
 - d. the net asset value was what JQC was actually worth;
 - e. MR1 and MR2 could expect a twenty to twenty-five percent (20-25%) return during that six to eight (6-8) month period. Robertson characterized this as a “realistic” and “very conservative” estimate;
 - f. Robertson worked for a high quality investment firm;
 - g. JQC had increased its dividend twice this year; and
 - h. JQC had been trading since 2003.
25. Robertson told MR1 and MR2 that Robertson would do the first trade commission-free.
26. Robertson explained that FNIC was a full service broker and described what MR1 and MR2 needed to do to purchase this security. Among other things, Robertson stated that:
 - a. MR1 and MR2 could set up the basic account information through Pershing clearing house. Robertson stated that the check would be made out directly to Pershing;³
 - b. Robertson could take care of everything that evening and send MR1 and MR2 all the information for their review overnight in order to make sure Robertson wasn’t “making any misrepresentations”; and
 - c. MR1 and MR2 could buy the investment “today and sell tomorrow.”
27. Robertson told MR1 and MR2 that Robertson worked with a team of talented brokers, but he could be MR1 and MR2’s broker if they wanted to deal only with Robertson.

28. FNIC has cooperated with the Enforcement Section, and has assisted the Enforcement Section in its investigation of this matter.
29. In particular, upon learning of the conduct described above, FNIC promptly undertook a comprehensive investigation.
30. During the pendency of its investigation, FNIC implemented interim remedial steps to ensure that the described conduct was discontinued. These included the following remedial steps:
 - a. requiring the relevant Office of Supervisory Jurisdiction to which Stetsura and Robertson were designated (the "OSJ") to appoint a new OSJ manager;

[\[3\]](#) On its CRD record, FNIC listed Pershing LLC of Jersey City, New Jersey, as its clearing broker. Pershing LLC has CRD number 7560.
 - b. requiring the OSJ to undergo an unannounced audit of its supervisory processes and procedures within the next twelve months;
 - c. requiring the OSJ to more clearly delineate primary and secondary supervisory responsibilities within the OSJ;
 - d. requiring certain supervisory personnel within the OSJ to reread and sign off on FNIC's Designated Supervisory Manual;
 - e. enhancing procedures, including mandatory discipline, in connection with the review of trades to ensure that registered representatives are registered in the appropriate states before soliciting orders in such states;
 - f. organizing a day-long training session for supervisory personnel, including training regarding the trade review process to ensure that exceptions are properly identified and resolved; and
 - g. implementing enhanced training for licensed administrative personnel to ensure a consistent understanding of permitted activities.

II. CONCLUSIONS OF LAW

31. The Commissioner finds Respondent employed an unregistered agent in violation of Section 409.4-402(d) and that this conduct constitutes grounds to discipline Respondent under Sections 409.4-412(d)(2) and 409.4-412(d)(9), RSMo. (Cum. Supp. 2009).
32. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo. (Cum. Supp. 2009).

III. ORDER

NOW THEREFORE, it is hereby Ordered that:

1. Respondent FNIC's registration is hereby CENSURED.
2. Respondent FNIC shall pay a fine of forty thousand dollars (\$40,000), twenty thousand dollars (\$20,000) of this payment will be suspended in light of FNIC's cooperation in the investigation and provided FNIC does not violate Sections 409.4-412(d)(2) and 409.4-412(d)(9) of the Missouri Securities Act for a period of two (2) years from the effective date of this order. The remaining twenty thousand dollars (\$20,000) shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the State of Missouri. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri;
3. Respondent FNIC shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of forty thousand dollars (\$40,000), twenty thousand dollars (\$20,000) will be suspended in light of FNIC's cooperation in the investigation and provided FNIC does not violate Sections 409.4-412(d)(2) and 409.4-412(d)(9) of the Missouri Securities Act for a period of two (2) years from the effective date of his order. The remaining twenty thousand dollars (\$20,000) shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
4. Respondent is ordered to pay two thousand two hundred and sixty dollars (\$2,260.00) as the cost of this investigation. This amount shall be sent within ten (10) days of the effective date of this Consent Order to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 and shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund; The Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund; and
5. Respondent FNIC shall pay its own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 22ND DAY OF FEBRUARY, 2011.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:
MISSOURI SECURITIES DIVISION

Mary S. Hosmer
Assistant Commissioner of Securities

FINANCIAL NETWORK INVESTMENT
CORPORATION

BY: _____

NAME: _____

TITLE: _____

Approved as to Form:

Nina McKenna
Attorney for Financial Network Investment
Corporation